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Richardson, David M.

How specie payments may
be resumed within three...

Philadelphia

1866

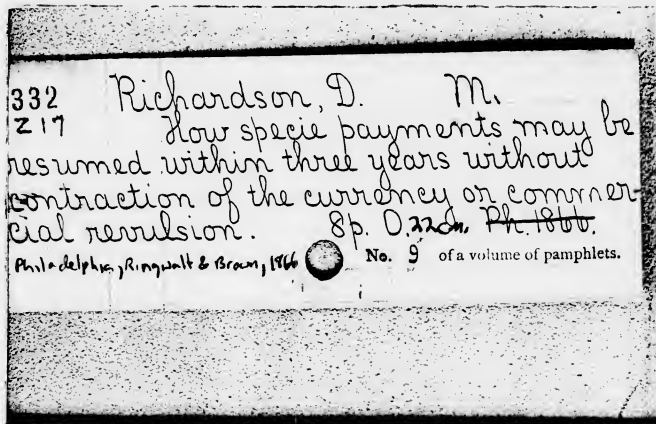
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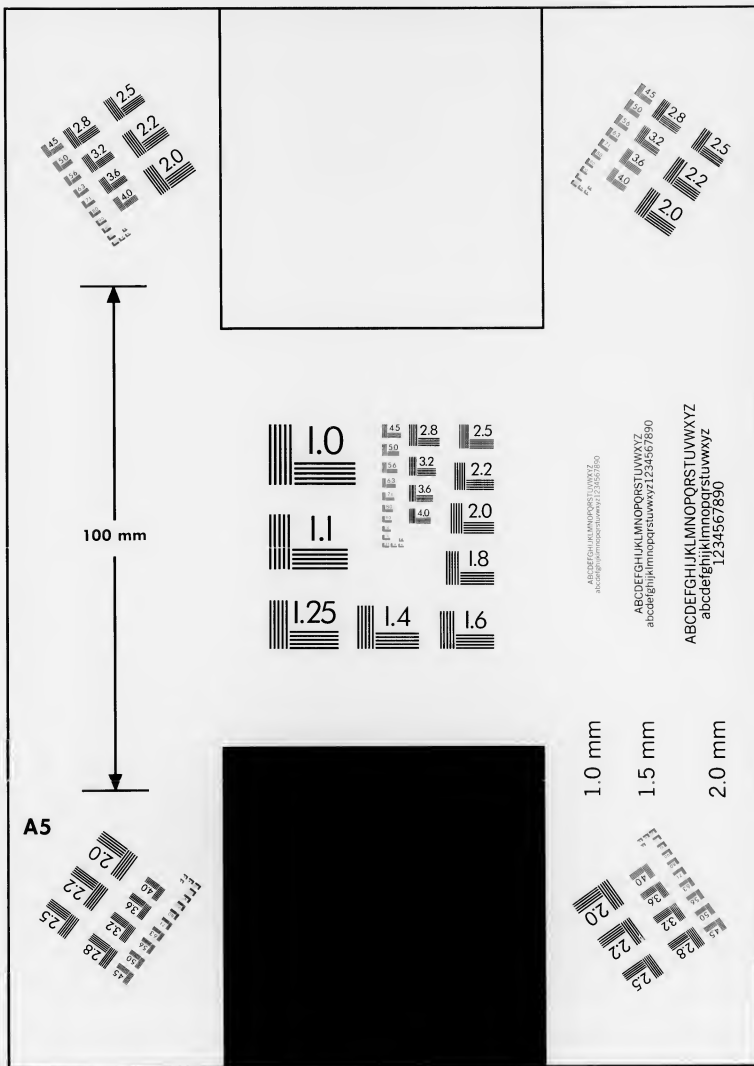
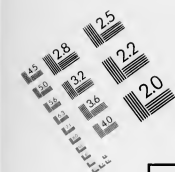
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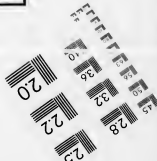
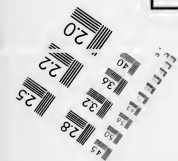
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HOW
SPECIE PAYMENTS

MAY BE RESUMED WITHIN THREE YEARS,

WITHOUT

CONTRACTION OF THE CURRENCY,

OR

COMMERCIAL REVULSION:

(BY)

D. M. RICHARDSON

OF

DETROIT, MICHIGAN.

JANUARY, 1866.

PHILADELPHIA:

RINGWALT & BROWN, STEAM POWER BOOK AND JOB PRINTERS,
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RESUMPTION OF SPECIE PAYMENTS.

The great question now before the American people, is, how and when shall specie payment be resumed? Had the United States \$320,000,000 of gold in their treasury, with which to redeem that amount of greenback circulation, the work of returning to specie payment would be easily accomplished. But it is idle to talk of specie payment until the Government has the gold to pay with.

Ten cents per pound export duty on cotton, payable in gold, will, in three years, yield to the Government the sum above named.

To enable the Government to put this export duty on cotton, requires an amendment to the Constitution of the United States. This accomplished, the way is clear, as we have no treaties with other nations that would interfere with an export duty placed upon any of our products.

It is out of the reach of the National Banks to commence specie payment until the Government shall have first redeemed a large portion of the greenbacks in gold; and the Government must adapt means to possess itself of the gold before it can accomplish this great work.

The cotton crop of 1859, reached 5,198,077 bales of ginned cotton, of 400 pounds each. The crop of 1865, is estimated at 2,100,000 bales. It is fair to estimate the crop of 1866, at 2,750,000 bales, as labor has become better organized, and the extreme high prices will greatly stimulate production. The average export is about three-fourths of the crop. Allow that 2,000,000 bales of the crop of 1866 will be exported; ten cts. per pound on this amount will give to the Government, \$80,000,000.

The production for 1867, will reach 3,500,000 bales, of which, at the ratio of export above named, 2,625,000 bales will be exported, yielding to the treasury \$105,000,000. The product of 1868, will probably amount to 4,500,000 bales, the export of which will be about 3,375,000 bales, and the tax would yield \$135,000,000; making a total revenue from the crops of the three years 1866, '67, and '68, of \$320,000,000. There should also be a tax of ten cents per pound levied upon the cotton manufactured in this country, in order to equalize domestic and foreign manufactures; the protection to home manufactures being regulated by the tariff as it now is.

The cotton manufactured by the producers in their respective homes, should be as free from taxation as the milk in the dairyman's pail, or the butter on his table. The collection of the duty or tax should be removed, as far as practicable, from the producer, so as not in any way to embarrass him.

It requires the organization of no new machinery to collect the duty on the exported cotton, or the revenue upon that consumed at home. The duty can be collected by the custom house officers at the point of exportation, and the internal revenue by the agencies already established in the districts where factories are located; monthly returns being made of the quantity of cotton received into each factory, and of the amount of sales; the tax to be levied on the monthly sales so as not to embarrass the manufacturer by a payment of tax on stock unsold.

It may be urged, that if cotton is to be taxed, why not tax all other agricultural products of the United States?

In the first place, we have the monopoly in effect, as the quality of our cotton is not equaled by that of any other country. In the second place, this tax on cotton will accomplish the desired object. In the third place, the contingencies of the war have placed the cotton product in a condition to bear taxation, by creating an unprecedented demand at home and abroad for American cotton. Besides, the margin that exists between the cost of production and the market price, warrants a tax of ten cents per pound, as will be seen by the following illustration:

A plantation of 640 acres, of which 400 acres shall be under cultivation and yielding an average crop of 400 pounds to the acre, will produce 160,000 pounds, at a cost of $6\frac{1}{2}$ cents per pound. This estimate assumes an expenditure of \$10,400. Placing the market price at 30 cents per pound, it yields a net profit of \$37,600 over and above all expenses; an unprecedented profit in an agricultural pursuit. Should the price decline to 20 cents per pound, it would even then bear the tax and pay better than any agricultural pursuit does at the present time in the Northern States. The present price of India cotton in London, is $28\frac{1}{2}$ cents per pound, and of American cotton, 44 cents per pound; hence, the lower the price of American cotton, the greater its consumption in Europe. Should the price of American cotton decline to 22 cents per pound, it would again have the monopoly of the market, on account of its superior quality as compared with the cotton of India. Taking into account, however, that owing to the short supply of cotton, and the consequent high price of cotton goods during the past four years, the supply of cotton fabrics in nearly every family in the common walks of life has been well nigh exhausted, there need be no apprehension of overstocking the market, since as prices decline, a large amount of cotton will be consumed to supply the deficit. Again, as prices decline, the general introduction of sewing machines will greatly add to the consumption of cotton goods.

The South should not complain against this tax levied on cotton, for while it amounts to \$105,000,000 annually, the North is paying \$300,000,000 annually, and on some articles, such as whisky, tobacco and petroleum, the tax is more onerous than on cotton. An early return to specie payments, will benefit the South equally with the North, as she will be a heavy purchaser of Northern merchandise and produce, and specie payments once resumed, prices will rule much lower than at present. It is right and just that each portion of the country should bear its share of the national burden.

With the accumulation in the treasury of the duties arising from the exportation of the first two crops, amounting to

\$185,000,000, and set apart for the specific purpose of redeeming the greenback circulation, the Government having retired in the meantime 150 or \$200,000,000 of the six hundred and twenty-six millions of the legal tender now outstanding, it will be safe to inaugurate the redemption of the balance as early as the first of January, 1869. With the accumulation arising from the crop of 1868, Congress can say to the National Banks on the first day of July, 1869, "greenbacks are no longer a legal tender, and you must redeem your notes at your respective counties in coin." This step would oblige the National Banks to exchange their reserve of greenbacks for coin, at once retiring a large amount of circulation, and by a comparatively small contraction of the currency, not enough in any case to effect a considerable disarrangement of the monetary system of the nation, while anchoring it safely on a specie basis.

A return to a specie basis is impossible without an export duty on cotton, or, as I will show, a contraction of the currency to such an extent as will produce financial revulsion and ruin.

The amount of gold in the country at the present time does not exceed \$150,000,000, although some journalists set it at \$250,000,000. This is distributed in such a manner as not to be available for the resumption of specie payment. It is impossible to increase this amount of gold from the mining resources of the country, as the present product of the mines is only about \$65,000,000 annually. The Comptroller of the Currency states, in his report for 1865, that the interest to be paid abroad in the present fiscal year will amount to \$42,780,000, so which sum must be added the probable balance of commerce, which averaged for seven years previous to 1862, \$40,445,492 annually, and which in 1860 reached \$57,996,114. Thus our gold product will be swallowed up in paying our interest abroad, and the balances of trade, and we shall be left drifting, year by year, further and further from a resumption of specie payments.

It may be urged that the revival of cotton production will change the balances, by shipments sent abroad, but it must be borne in mind that the return of peace finds the South in want

of all kinds of foreign as well as domestic goods, so that her necessities will be fully up to her ability to pay. It may be argued, that the withdrawal of this amount of gold from Europe, would produce financial depression there, and seriously affect the foreign market. But this threatened drain would be counterbalanced to a great extent by the shipments of gold from this country, amounting in three years to about \$200,000,000, so that there need be no apprehension of trouble from that source. We sent abroad during the ten years preceding the war \$418,624,986 of specie in excess of our imports, by our foolish system of over-trading, and no one has any reason of complaint, if we adopt a system in the present emergency to draw back a portion of those vast shipments, in order to the re-establishment of our values on a similar basis to that upon which the values of the rest of the world are regulated.

To reduce our currency to such an extent as to enable us to resume specie payment with the amount of gold we now hold, would involve the suspension of the payment to the Government of the heavy excise duties that are collected monthly, thus preventing the government from meeting its obligations. It would depress our commerce, render our agricultural products of but little value, and block the wheels of all our manufactures. In short, it would involve us in financial ruin, leading beyond a doubt to the repudiation of our national debt, a calamity to be avoided, if in any way possible.

Labor, the source of all our wealth, demands a speedy return to specie payment. It is labor that enriches a country, and more especially a country like ours. Labor increased our wealth from \$7,135,780,228, in 1850, to \$16,159,616,068, in 1860, and if we can return to a specie basis in three years, without a financial crash, keeping our labor fully employed at remunerative wages, our wealth will reach in 1870, in spite of the wastes of war, the round sum of \$30,000,000,000. In comparison with this, our national debt will be as a feather in the hands of a child, neither an embarrassment nor a terror.

It should be borne in mind, that on an average, every individual laborer who earns one dollar per day, adds one half-

dollar to the national wealth, so that 8,500,000 people engaged in honest industry, (about the average in prosperous times,) add daily to the wealth of the country \$4,250,000. Hence when a financial crisis occurs, the country sinks in wealth in proportion to the suspension of labor. No pains should, therefore, be spared, and no legislation wanting, to preserve our country in the fullest enjoyment of its labor, and in the peaceful pursuits of life.

To do this in a country so broad as ours, requires a vast circulating medium, nearly or quite equal *per capita* to that of France or California. In 1864, France with a population of 36,000,000, had a specie circulation of £264,000,000, or \$1,320,000,000, an average of \$36,66 *per capita*. California with a population of 600,000, including Oregon and the adjoining territories, had a circulating medium, mostly gold, of \$23,000,000, or \$41,66 *per capita*. Placing our population at 32,000,000, a circulating medium of \$960,000,000 is not an over supply, when trade in the South shall have been fully re-established. Moreover, when we shall have returned to a specie basis, and the greenback and state bank circulation shall have been retired, it will become necessary, in order to transact the business of the country on a cash basis, that Congress shall authorize an additional national bank circulation of at least \$300,000,000, which can easily be kept afloat with the specie then in our possession, if our exports, other than gold, keep pace with our imports.

Will Congress give the people the much needed constitutional amendment? Will they urge its immediate adoption by the State Legislatures in session, and advise the calling together of those not now in session, so as to secure its adoption by the required number of states, at the earliest possible moment? Let it do this, and the collection of the revenue upon cotton may be commenced, while it brings in the market the high prices which must rule during the present year. The people can not afford to let this golden opportunity pass unimproved, for by it they may be restored to a monetary basis equal to that

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